

**TVER STATE UNIVERSITY**

**EXPERT REPORT**

# **UNITED NATIONS SECURITY COUNCIL**

**Preventing and Combating the Financing of Terrorism**



**ТВЕРСКАЯ МОДЕЛЬ  
ООН**

Tver 2020

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## I. Abbreviations

AML/CFT – Anti-money laundering and counter-terrorist financing,

ARS –Alternative remittance systems,

FATF – The Financial Action Task Force,

FIU – Financial intelligence unit,

FSRBs – FATF – Style Regional Bodies,

FTFs – Foreign terrorist fighters,

IMF – International Monetary Fund,

ISIL – Islamic State of Iraq and the Levant,

ML/TF – Money laundering and terrorist financing,

NGO – Non-governmental organization,

NPO – Non-profit organization,

UN – United Nations,

UNODC – United Nations Office on Drugs and Crime,

UNSC – United Nations Security Council.

## II. Glossary

**“Funds”** means assets of every kind, whether tangible or intangible, corporeal or incorporeal, moveable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including but not limited to currency, bank credits, deposits and other financial resources, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts and letters of credit, whether situated in [insert name of State] or elsewhere, and includes a legal or equitable interest, whether full or partial, in any such property.

**“Terrorist act”** means: (a) an act, which constitutes an offence within the scope of, and as defined in one of the treaties listed in the annex to the 1999 International Convention for the Suppression of the Financing of Terrorism; and (b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organization to do or to abstain from doing any act.

**“Terrorist organization”** means any group of terrorists that: (a) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; (b) participates as an accomplice in terrorist acts; (c) organizes or directs others to commit terrorist acts; or (d) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

**“Terrorist”** means any natural person who: (a) commits or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; 21 (b) participates as an accomplice in terrorist acts; (c) organizes or directs others to commit terrorist acts; or (d) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally

and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

**“Foreign terrorist fighters”** means “individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training, including in connection with armed conflict”.

**“Alternative Remittance System”** means “any system used for transferring money from one location to another, and generally operating outside the banking channels”.

**“Financial intelligence unit”** is a central, national agency responsible for receiving, (and as permitted, requesting), analyzing and disseminating to the competent authorities, disclosures of financial information: (i) concerning suspected proceeds of crime and potential financing of terrorism, or (ii) required by national legislation or regulation, in order to combat money laundering and terrorism financing.

### III. Introduction

2020. A year of large-scale events that mark the beginning of the economic crisis and changed the format of political interaction between states. Globalization, as a phenomenon, is in decline. The world is on the verge of change.

The disease is a coronavirus infection of severe acute respiratory syndrome, a pandemic that has swept the whole world.

- November, 2019. The first case in Wuhan, China.
- January, 2020. The first official cases of infection with a new coronavirus infection in different states have been identified. The list includes all the leading large states: the USA, Great Britain, France, Japan, Korea, Russia and others.
- Beginning of January, 2020. The first death from a new disease was recorded.
- On March 1, the number of deaths caused by coronavirus disease exceeded 3,000 people worldwide.
- March 11, 2020. The World Health Organization announces the beginning of a pandemic, states are closing borders. In the countries of the European Union this process begins on March 17, and in the Russian Federation – on March 30. The economy is entering a state of stagnation. The production and the turnover of goods are declining, a food panic begins. People are concerned about their situation, spending unreasonable amounts: essential goods disappear from the shelves of stores, pharmacy points do not have time to supply masks.

Due to the deteriorating epidemiological situation, many international events, including meetings of intergovernmental organizations, are postponing or canceling. Thus, the UN Human Rights Council is canceling the session in Geneva from March 13, which was supposed to last until March 20, the European Parliament is reducing the plenary session from four to one day due to coronavirus, all football matches in

European competitions, the first Grand Prix of the Formula 1 season are canceling, on March 18 it became known, that Eurovision will not be held in 2020.

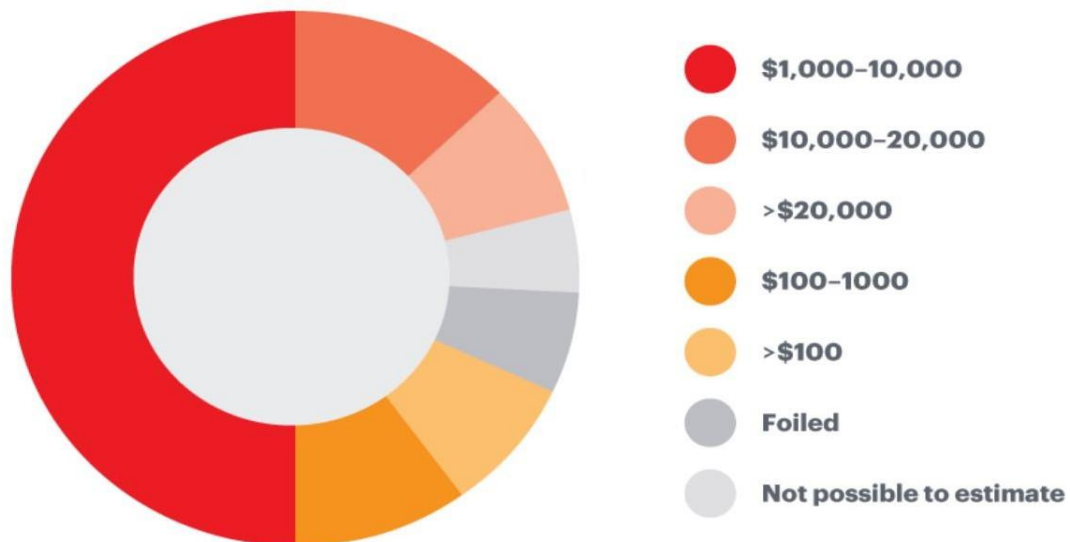
Today, the world is on the verge of global changes, states must consolidate their forces not only to combat the pandemic and develop a vaccine, but also on other equally important agendas: the problem of the spread of terrorism, achieving and following the SDGs, problems of discrimination against migrants and others. The form of interaction between states is changing: the pandemic is forcing heads of state to look for new formats of high-level meetings, the role of international organizations is increasing. Thus, WHO is becoming a key organization, it is increasingly appearing on news agendas. The global world formed by history in the current conditions can become a salvation for all mankind. However, if states fail to reach consensus, globalization, as a concept of peace-building, will not justify itself.

It should be noted that in the 21st century the financing of terrorism occupies a special place among new threats to international security. The terrorist acts of September 11, 2001 in the United States clearly showed that terrorism is not only ideology, but also money. According to various sources, this series of terrorist acts cost 250–500 thousand dollars, and the operation itself included 19 hijackers operating abroad and several training ranges.

At the same time, not all terrorist operations require large financial investments. Less and less money is required each year to carry out terrorist acts. For example, in July 2016, during the Bastille Day celebrations in Nice, 86 people died as a result of an act of terrorism, but all it took to be conducted was a truck.

EUROPE

## Cost of terror attacks, 1994-2013



Source: Norwegian Defence Research Establishment

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Despite the insignificant amounts of money required to carry out a terrorist act, any terrorist organization that conducts its activities on a permanent basis, not limited to the commission of a single terrorist act, bears organizational costs: purchase of weapons, equipment and other materials to carry out terrorist acts, maintenance of

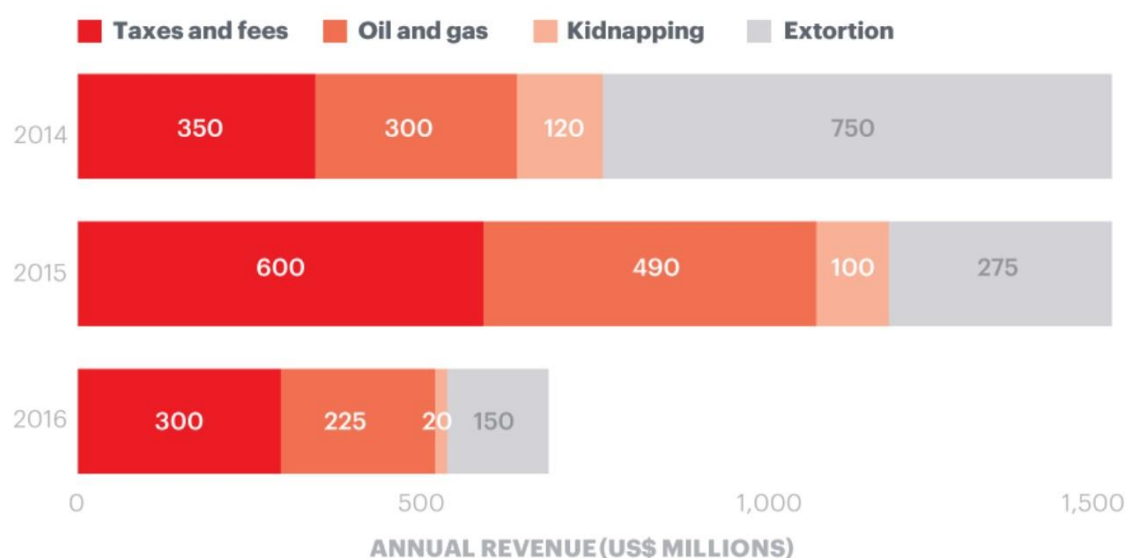


terrorists, their recruitment, training in specialized camps, falsification of identity documents, bribes, payment for "services" of terrorists, propaganda of terrorism. Experts estimate that the ratio of infrastructure costs to the direct costs of a terrorist act is 9/11.

For example, ISIL<sup>1</sup> manages more than \$2 billion in assets that generate \$2.9 million in revenue each year, making it the richest terrorist organization in the world today. At the same time, monthly salaries for fighters are the largest budget expenditures, accounting for 43.6% of the total budget. In comparison, the cost of maintaining terrorist bases accounts for 19.8%; the media – 2.8%; the Islamic police – 10.4%; the service department – 17.7%; and family assistance – 5.7%.

### ISIL REVENUE

## Estimated revenues, 2014-2016



Source: IEP estimates

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Financial resources seem to be a necessary source of livelihood for terrorist organizations. Despite the obvious importance of the financial base for terrorism, it should be noted that the issue of terrorist financing as a separate subject area requiring the efforts of the international community was not immediately recognized.

<sup>1</sup> Prohibited in Russia

#### IV. Historical background. Adopted documents

For the first time, the phenomenon of the financing of terrorism was mentioned in international law in the **United Nations Declaration on Measures to Eliminate International Terrorism**<sup>2</sup>, which was approved by General Assembly resolution 49/60 of 9 December 1994 and established the obligation to “refrain from organizing, instigating, facilitating, financing, encouraging or tolerating terrorist activities”.

In 1997, the United Nations General Assembly by **resolution 51/210**<sup>3</sup> in Article 3, paragraph (f) called upon States to “take steps to prevent and counteract, through appropriate domestic measures, the financing of terrorists and terrorist organizations, whether such financing is direct or indirect through organizations which also have or claim to have charitable, social or cultural goals or which are also engaged in unlawful activities such as illicit arms trafficking, drug dealing and racketeering, including the exploitation of persons for purposes of funding terrorist activities, and in particular to consider, where appropriate, adopting regulatory measures to prevent and counteract movements of funds suspected to be intended for terrorist purposes without impeding in any way the freedom of legitimate capital movements and to intensify the exchange of information concerning international movements of such funds”. Then in January 1999, through **resolution 53/108**<sup>4</sup> in Article 11, it requested the Ad Hoc Committee to elaborate a draft convention on the suppression of the financing of terrorism.

In December 1999, the **UN International Convention for the Suppression of the Financing of Terrorism**<sup>5</sup> was adopted unanimously without a vote and it was the first step on the way to international cooperation in the field of countering the

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<sup>2</sup> "Declaration on Measures to Eliminate International Terrorism", in International Instruments Related to the Prevention and Suppression of International Terrorism: Fourth Edition, Volume I, UN, New York. URL: <https://doi.org/10.18356/18eb29cb-en>. (10.11.2019)

<sup>3</sup> RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY [on the report of the Sixth Committee (A/51/631)] 51/210. Measures to eliminate international terrorism. URL: <https://undocs.org/en/A/RES/51/210>. (10.11.2019)

<sup>4</sup> RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY [on the report of the Sixth Committee (A/53/636)] 53/108. Measures to eliminate international terrorism. URL: <https://undocs.org/pdf?symbol=en/A/RES/53/108>. (10.11.2019)

<sup>5</sup> INTERNATIONAL CONVENTION FOR THE SUPPRESSION OF THE FINANCING OF TERRORISM, 1999. URL: <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>. (10.11.2019)

financing of terrorism. It is in the Convention that the financing of terrorism was first formulated and recognized as an independent international crime, laying the international legal basis for the system of counteraction to the financing of terrorism. The Convention contains **3 main obligations for the states-participants**: criminalization of terrorism financing; international cooperation on terrorism financing issues; introduction of requirements for financial institutions in revealing and reporting of the facts testifying to the financing of terrorist acts.

The advantage of the Convention is that **the term "financing of terrorism"** is enshrined and its actual content is defined as *providing or collecting funds "with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out: (a) an act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex<sup>6</sup>; or (b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act"*.

Another important advantage of the Convention is that the states parties to it automatically become parties to the 9 international treaties<sup>7</sup> opened for signature in 1970–1997 years and which require States Parties to the Convention to legislate

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<sup>6</sup> 1. Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970.

2. Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971.

3. Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on 14 December 1973.

4. International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on 17 December 1979.

5. Convention on the Physical Protection of Nuclear Material, adopted at Vienna on 3 March 1980.

6. Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 24 February 1988.

7. Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on 10 March 1988.

8. Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on 10 March 1988.

9. International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on 15 December 1997.

<sup>7</sup> The same treaties as defined in the point 1.

various terrorist offences. Thus, by ratifying the Convention, States have not only recognized the financing of terrorism as an independent threat to international security, but have also linked it to other crimes of a terrorist nature, rooting it in the overall system of counterterrorism.

However, until 2001, there was no single, coordinated, global system for countering terrorist financing that could combat the multifaceted nature of terrorist financing. Prior to the terrorist attacks in Tanzania and Kenya in 1998, the focus was on state support for terrorism. UN Security Council resolutions over the years have been aimed at imposing economic sanctions on states sponsoring terrorism, such as Libya and Sudan. Even after these attacks, they targeted specific terrorist groups, such as Al-Qaida and the Taliban, and called on the international community to apply asset freezing, arms embargoes and travel bans only to them.

The 1999 UN International Convention for the Suppression of the Financing of Terrorism did not enter into force until 10 April 2002. During this period, it was signed by 132 States. However, by September 2001, when the 9/11 terrorist attacks in New York took place, only four countries were parties to the Convention<sup>8</sup>. After this series of terrorist attacks close attention of the international community to the problem of terrorism financing has been attracted.

The UN Security Council, which has monitored al-Qaeda since 1999 and adopted separate resolutions freezing the funds and financial resources of the Taliban (1267) and al-Qaeda (1333), criminalized the financing of terrorism through resolutions 1373 and 1390 in response to the 2001 terrorist attacks. The adoption of **resolution 1373**<sup>9</sup> was described as a "historic event" because, for the first time in history Security Council declared a specific phenomenon, known as international terrorism, a threat to international peace and security, an important component of which was the financing of terrorism.

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<sup>8</sup> In total, as of November 2019, 189 countries are parties to the Convention.

<sup>9</sup> Resolution 1373 (2001). Adopted by the Security Council at its 4385th meeting, on 28 September 2001. Threats to international peace and security caused by terrorist acts. URL: [https://www.unodc.org/pdf/crime/terrorism/res\\_1373\\_english.pdf](https://www.unodc.org/pdf/crime/terrorism/res_1373_english.pdf). (10.11.2019)

In the two years since 11 September 2001, more than 200 individuals and entities associated with Osama bin Laden and/or Al Qaida have been included in the so-called UN sanctions list in accordance with UN Security Council Resolutions 1333 and 1455, and more than \$136 million in more than 1,400 accounts, including more than \$72 million in assets of Al-Qaida, have been frozen.

**The terrorist acts of September 11, 2001 gave an impulse to the international cooperation on the issues of counteraction to terrorism financing.** Immediately thereafter, the Egmont Group recognized the importance of agreeing on a framework for the rapid and effective exchange of information related to the financing of terrorism. On 17 November 2001, in the Communiqué adopted at the end of the meeting in Ottawa (Canada), finance ministers and central bank governors of the G-20 countries expressed their deep concern about the use of the international financial system for the financing of terrorist acts and money laundering. On 31 October 2001, the FATF, the Financial Action Task Force, established in July 1989 by decision of the G-7 countries and the European Commission in response to the threat of money laundering to national interests and the international financial system, expanded its competence to include terrorist financing and urgently supplemented the 40 Recommendations with Special Recommendations. Thus, the FATF, on the one hand, defined terrorist financing as a separate subject area requiring regulation by the international community, and, on the other hand, firmly linked it to the then existing anti-money laundering regime, which served as a basis for appealing to the emerging regime as an anti-money laundering and counter-terrorist financing (AML/CFT) regime.

On July 26 and August 6, 2002, the IMF and World Bank Board of Governors recognized the FATF Recommendations as international AML/CFT standards, conditionally including them in the list of standards and rules on the basis of which financial sector assessment programs are implemented and reports on the compliance of IMF member states with the standards and rules are prepared.

On January 30, 2004, the UN Security Council adopted **resolution 1526**<sup>10</sup>, which provides that countering the financing of terrorism should be achieved taking into account, as appropriate, international codes and standards for combating the financing of terrorism, including those designed to prevent the abuse of nonprofit organizations and informal/alternative remittance systems. Although the text of this resolution does not explicitly refer to the FATF, it is clear that the international codes and standards for combating the financing of terrorism primarily refer to the FATF Recommendations, in particular Special Recommendations VI and VIII.

At the Ministerial Conference of the Council of Europe on 16 May 2005 in Warsaw, Poland, a new version of the Strasbourg Convention was adopted and opened for signature – the **Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism**<sup>11</sup>.

The Convention was the first multilateral international treaty to cover the prevention of money-laundering and the financing of terrorism. In particular, it provided for the suspension of suspicious transactions related to the financing of terrorism and money laundering, as well as information exchange between FIUs and international cooperation in suspending suspicious transactions at the request of foreign FIUs. On July 29, 2005, in accordance with UNSC **resolution 1617**<sup>12</sup>, *the FATF Recommendations were recognized as binding international standards for implementation by UN Member States*. On 8 September 2006, the United Nations Global Counter-Terrorism Coordination Compact recognized the FATF Recommendations as one of the strategic measures required to counter terrorism. Thus, the issue of terrorist financing was securitized at the highest level (UN), which marked the completion of the legal framework of the international AML/CFT system.

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<sup>10</sup> Resolution 1526 (2004). Adopted by the Security Council at its 4908th meeting, on 30 January 2004. Threats to international peace and security caused by terrorist acts. URL: [https://undocs.org/S/RES/1526\(2004\)](https://undocs.org/S/RES/1526(2004)). (10.11.2019)

<sup>11</sup> Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. Warsaw, 16.05.2005. URL: <https://www.coe.int/ru/web/conventions/full-list/-/conventions/rms/090000168008371f>. (10.11.2019)

<sup>12</sup> Resolution 1617 (2005). Adopted by the Security Council at its 5244th meeting, on 29 July 2005. Threats to international peace and security caused by terrorist acts. URL: [https://undocs.org/S/RES/1617\(2005\)](https://undocs.org/S/RES/1617(2005)). (10.11.2019)

Today, the urgency of combating the financing of terrorism is beyond doubt for anyone, especially in view of the fight against ISIL<sup>13</sup>. The issue of terrorist financing is recognized not only at the highest level: the UN, FATF, IMF and other international institutions, but also in formats such as the G-20 and G-7 summits, which represent the most influential centers of power in the world.

The international community continues to elaborate solutions to the threats posed by financing of terrorism. For example, the UNSC in its **resolution 2178**<sup>14</sup> (2014) urges Member States to disrupt terrorist-financing activities linked to FTFs and to criminalize the financing of FTF travel, through **resolution 2253**<sup>15</sup> (2015), **resolution 2368**<sup>16</sup> (2017) and **resolution 2462**<sup>17</sup> (2019), reaffirming the need to combat the financing of terrorism through a comprehensive approach involving all states, international and regional organizations, and representatives of the private sector, strongly urged all Member States to implement the FATF Recommendations.

Thus, terrorist financing can be interpreted in a broad and narrow sense. Broadly speaking, the financing of terrorism is a transnational social and economic phenomenon that poses a security threat and consists of providing financial assistance to carry out terrorist activities beyond the commission of terrorist acts. In a narrow sense, it is a particularly dangerous type of crime, consisting of a combination of socially dangerous acts of providing funds to individuals or groups of individuals, organizations, communities or states to plan, prepare, organize and carry out specific terrorist offences.

Of course, with regard to the financing of terrorism, it is impossible to say that this activity was initially perceived as legal, since terrorism itself is illegal in nature,

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<sup>13</sup> Prohibited in Russia

<sup>14</sup> Resolution 2178 (2014). Adopted by the Security Council at its 7272nd meeting, on 24 September 2014. Threats to international peace and security caused by terrorist acts. URL: [https://undocs.org/S/RES/2178%20\(2014\)](https://undocs.org/S/RES/2178%20(2014)). (10.11.2019)

<sup>15</sup> Resolution 2253 (2015). Adopted by the Security Council at its 7587th meeting, on 17 December 2015. Threats to international peace and security caused by terrorist acts. URL: <https://www.un.org/securitycouncil/s/res/2253-%282015%29>. (10.11.2019)

<sup>16</sup> Resolution 2368 (2017). Adopted by the Security Council at its 8007th meeting, on 20 July 2017. Threats to international peace and security caused by terrorist acts. URL: [https://www.undocs.org/S/RES/2368%20\(2017\)](https://www.undocs.org/S/RES/2368%20(2017)). (10.11.2019)

<sup>17</sup> Resolution 2462 (2019). Adopted by the Security Council at its 8496th meeting, on 28 March 2019. Threats to international peace and security caused by terrorist acts. URL: [https://undocs.org/S/RES/2462\(2019\)](https://undocs.org/S/RES/2462(2019)). (10.11.2019)

which is primarily enshrined in United Nations resolutions. However, until 2001, combating the financing of terrorism was limited at all levels of cooperation, despite the International Convention for the Suppression of the Financing of Terrorism, developed in 1999. The turning point in the perception of terrorism financing was a series of terrorist acts in the United States on September 11, 2001, which served as an incentive for consolidation of efforts of the international community in the fight against terrorism financing.

In general, **the securitization of the terrorist financing problem has gone through a number of stages:**

1) *mid-1990s – 11 September 2001*: emergence of the problem of terrorism financing in the agenda of the General Assembly and the UN Security Council at a low level of perception by states of the problem of terrorism financing as a threat to security at the national level;

2) *11 September 2001 – 31 October 2001*: recognition of the problem of terrorism financing as a global threat to security at the universal level (UN) and at the level of the most developed countries of the world (FATF) at a low level of perception of the threat of terrorism financing in most countries of the world;

3) *October 31, 2001 – July 29, 2005*: recognition of the threat of terrorism financing by key AML/CFT institutions along with the UN and FATF (IMF, World Bank, Egmont Group, Basel Committee on Banking Supervision, Wolfsberg Group, etc.);

4) *July 29, 2005 – currently*: recognition of the threat of terrorism financing at 3 levels: national, regional, global.



## V. Sources of terrorism financing

Recognizing the importance of financial resources to terrorist activity and characterizing the terrorist financing system as a subject area of the AML/CFT regime, it is important to understand the components of the system. Typically, there are three main components: sources of funding, channels for the movement of funds or other assets, and recipients of such assets. While the recipients are very clear, the sources and channels of financing are the most interesting in the current context, as they are the ones that ensure the functioning of the entire terrorist financing system.

Sources of terrorist financing are divided into legitimate and illegitimate sources.

All sources of legitimate origin are characterized by fact that the money were initially obtained by legitimate methods, but then used for illegal acts, that is what complicates the process of tracing these sources through formal financial monitoring mechanisms. **Legitimate sources of terrorism financing** include the following:

1. private donations;
2. income of non-governmental organizations (NGOs);
3. legitimate commercial activities (revenues from lawfully operating enterprises belonging to members of terrorist groups);
4. state sponsorship of terrorism;

In general, States involved in the financing of terrorism can be divided into two types: (1) states engaged in the direct financing of terrorism, and (2) states that knowingly create an enabling environment for the use of their financial system for the financing of terrorism.

5. Personal income.

As before, nowadays terrorism is mainly based on **illegitimate sources of funding**, these are:

1. drug trafficking;

2. economic crimes (e.g. financial fraud, extortion, bank robberies, illegal taxation, etc.);
3. smuggling;
4. human trafficking;
5. kidnapping for ransom;
6. income from the sale of natural resources.

This situation requires that **the development of measures should be aimed not only at monitoring operations, but also at reducing the sources of terrorist financing**. The main efforts of the international community should be concentrated in three areas: political area – in the conflict resolution zone under the leading role of the UN; military area – in the territories occupied by terrorist organizations in cooperation with the national army of states, in order not to undermine the foundations of state security and territorial integrity; financial area – in both national and global financial systems to prevent terrorist access to them and the movement of funds for the financing of terrorism.

## VI. Terrorism financing channels

An important element of the economic base of terrorism is the system of resource mobilization, transfer and payment mechanisms, and the receipt, distribution and disposal of the funds received. In general, **the transfer of funds can take place through the following channels:**

1. *financial institutions operating under license or authorization* (commercial banks, savings banks and associations, credit unions, mutual fund banks, pension funds, insurance companies, financial companies, investment funds; currency exchanges, securities or precious metal brokers, commodity brokers, casinos, telegraph, postal and cash cheque exchanges);

2. *Alternative Remittance Systems* (Hundi (Bangladesh, Pakistan), Finchien, Hu Kyuan, Chao Huo (China), Fokuyuan (Thailand), Ning Sing Kek (Guangzhou (Canton)), Padala (Philippines), Black Market Currency Exchange (South America, Nigeria, Iran), Stash House (South America), Huku An (Hong Kong), Xavilaaad (Somalia);

3. *physical transportation of cash* (the movement of cash across borders is prevalent in countries where the electronic banking system is in its infancy or little used by the public);

4. *new payment products and services* (prepaid cards, mobile payments, Internet payment systems, cryptocurrencies).

In the long term, if the legal issues of international cooperation regarding the secrecy of the information provided are resolved, it will be possible to develop an international database, which will significantly increase the efficiency of FIUs worldwide and reduce the processing time of international ML/TF requests. The need for such support is recognized by FATF, Egmont Group, Europol, representatives of jurisdictions. This practice already exists in the USA, EU and Asia. Within the EU, a decentralized computer network, FIU.net, has been in place since 2002, bringing together all 28 EU FIUs and providing access to suspicious transaction reports from member states.

## VII. Organizations involved in combating money laundering and the financing of terrorism

- **United Nations Office on Drugs and Crime (UNODC)**

Through the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, UNODC assists Governments in confronting criminals who launder the proceeds of crime through the international financial system. It also provides Governments, law enforcement authorities and financial intelligence units with strategies to counter money-laundering, advises on improved banking and financial policies and assists national financial investigation services. Strategies include granting technical assistance to authorities from developing countries, organizing training workshops, providing training materials and transferring expertise between jurisdictions.

- **The Financial Action Task Force (FATF)**

FATF was formed by the 1989 G7 Summit in Paris to combat the growing problem of money laundering, however, the mandate of the organization was expanded to include terrorist financing following the September 11 terror attacks in 2001.

The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The FATF has developed a series of Recommendations that are recognized as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a coordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF Recommendations were

revised in 1996, 2001, 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and they are intended to be of universal application.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

- **International Monetary Fund (IMF)**

In 2000, the IMF responded to calls from the international community to expand its work on anti-money laundering. After the tragic events of September 11, 2001, the IMF intensified its AML activities and extended them to include combating the financing of terrorism. In 2009, the IMF launched a donor-supported trust fund to finance AML/CFT capacity development in its member countries. In 2014, the IMF's Executive Board reviewed the Fund's AML/CFT strategy and gave strategic directions for the work ahead.

During the past 15 years, the IMF has helped shape domestic and international AML/CFT policies. The IMF staff has been particularly active in providing financial integrity advice in the context of surveillance, evaluating countries' compliance with the international AML/CFT standard, and in developing programs to help them address shortcomings. The IMF also analyzes global and national AML/CFT regimes and how they interact with issues such as virtual currencies, Islamic finance, costs of and mitigating strategies for corruption, and the withdrawal of correspondent banking relationships.

- **Council of Europe**

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of

terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

MONEYVAL participates actively in the global activities against financing of terrorism. It undertakes evaluations of its Member States and territories with regard to the compliance of their implementation of the FATF Standards in this respect, as well as horizontal studies on particular issues to increase the understanding of the measures in place at national level and to identify potential difficulties in their implementation. It closely monitors measures put in place on national level against the payment of ransoms. It also participates in the global exercise initiated by the FATF on the overall assessment of the implementation of CFT measures by individual jurisdictions. In addition, MONEYVAL experts participate regularly in international conferences and workshops concerning combatting terrorism and terrorist financing.

- **Egmont Group**

The Egmont Group is a united body of 164 Financial Intelligence Units. It provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing. This is especially relevant as FIUs are uniquely positioned to cooperate and support national and international efforts to counter terrorist financing and are the trusted gateway for sharing financial information domestically and internationally in accordance with global AML/CFT standards.

The Egmont Group continues to support the efforts of its international partners and other stakeholders to give effect to the resolutions and statements by the United Nations Security Council, the G20 Finance Ministers, and the Financial Action Task Force (FATF).

The Egmont Group recognizes the fact that sharing of financial intelligence is of paramount importance and that it has become the cornerstone of the international efforts to counter ML/TF. Financial Intelligence Units (FIUs) around the world are obliged by international AML/CFT standards to exchange information and engage in international cooperation. As an international financial intelligence forum the Egmont Group both facilitates and prompts this amongst its member FIUs.

- **Wolfsberg Group**

The Wolfsberg Group is an association of thirteen global banks which aims to develop frameworks and guidance for the management of financial crime risks, particularly with respect to Anti-Money Laundering and Counter Terrorist Financing policies.

The Wolfsberg Anti-Money Laundering Principles for Private Banking were subsequently published in October 2000, revised in May 2002 and again most recently in June 2012. Since the first set of AML Principles was released, the Group has published a significant number of documents, whether in the form of Principles, Guidance, Frequently Asked Questions (FAQs) or Statements. These can all be found on this website and include, amongst many others, a Statement on the Financing of Terrorism, Anti-Money Laundering Principles for Correspondent Banking, Guidance on a Risk Based Approach for Managing Money Laundering Risks, FAQs on Politically Exposed Persons (PEPs), Trade Finance Principles, Guidance on Anti-Bribery & Corruption Compliance Programs and a statement endorsing measures to enhance the transparency of international wire transfers to promote the effectiveness of global AML and CTF programs.

Materials published by the Wolfsberg Group are designed to provide financial institutions with an industry perspective on effective financial crime risk management.

- **Eurasian group on combating money laundering and financing of terrorism**

The Eurasian Group on Combating Money Laundering and financing of terrorism is an FATF-style regional body. The EAG was established in 2004 and is currently an associate member of the FATF.

The EAG was created for the countries of the Eurasian region not included in the existing FATF-style regional groups and is intended to play an important role in reducing the threat of international terrorism and ensure the transparency, reliability and security of the financial systems of states and their further integration into the international infrastructure for combating money laundering and terrorism financing.

The primary goal of the EAG is to ensure effective interaction and cooperation at the regional level and integration of EAG member-states into the international system of anti-money laundering and combating financing of terrorism in accordance with the Recommendations of the FATF and the anti-money laundering and combating financing of terrorism standards of other international organizations, to which EAG member-states are party.

The main tasks of the EAG are:

- assisting member-states in implementing the 40 FATF anti-money laundering Recommendations and the 9 Special FATF Recommendations on combating terrorist financing (FATF 40+9 Recommendations);
- developing and conducting joint activities aimed at combating money laundering and terrorist financing;
- implementing a program of mutual evaluations of member-states based on the FATF 40+9 Recommendations, including assessment of the effectiveness of legislative and other measures adopted in the sphere of AML/CFT efforts;
- coordinating international cooperation and technical assistance programs with specialized international organizations, bodies, and interested states;
- analyzing money laundering and terrorist financing trends (typologies) and exchanging best practices of combating such crimes taking into account regional specifics.



## VIII. Conclusion

To sum up the analysis of terrorist financing as a threat to international security, it is possible to draw a number of conclusions:

- First, **the financing of terrorism is a complex phenomenon that affects the interests of all actors in global politics**, beyond States, and poses a danger not only in terms of the financing of terrorist acts themselves, but also from the perspective of what is more important: the provision of support for the activities of terrorist organizations.
- Second, modern trends in the system of terrorist financing testify to the **current transnational "economy" of terrorism**, which has taken root in the global economic system, threatening global economic integrity and security. Moreover, this economy, being a part of the global shadow economy, has an established infrastructure, which is closely connected with money laundering mechanisms and is rapidly developing, sometimes one step ahead of AML/CFT mechanisms.
- Third, for a long time the international community has not given due importance to the problem of terrorism financing, leaving its solution in the area of national sovereignty. **The breaking point of the consolidation of the international AML/CFT regime was a series of terrorist attacks on September 11, 2001**, which served as a stimulus for securitization and politicization of the problem of terrorist financing, as well as consolidation of the efforts of the international community in the fight against terrorist financing.
- Forth, if the first decade of the 2000s can be considered a stage of active securitization of the problem of terrorism financing, the second decade of the 2000s can be called a stage of qualitative transformation of the terrorism financing system, an important factor of which is the political factor. The growing interdependence of states, primarily in the financial and digital fields, has led to the blurring of borders between states and to the expanding of the system of terrorist financing across the entire spectrum of related elements: sources, channels and actors. **Terrorist groups**

**have become oriented towards self-sufficiency, which has turned them into independent subjects of world politics in modern conditions.** What is more, the change of political systems in the Middle East not only provided terrorists with the opportunity to base their groups and build an "Islamic state", but also significantly expanded the range of sources of funding for terrorist organizations, providing them with opportunities to exploit natural resources, economically expropriate the assets of the population living in the occupied territory and establish their own taxation system against the background of political instability in the region. Significant conflict potential remains in the region, which negatively affects the efforts of the international community in combating the financing of terrorism.

- **Fifth, emerging terrorist financing risks make the task of combating TF more difficult than ever.** Foreign terrorist fighters (FTFs), social media, new payment products and services are new trends that have not been subject to an in-depth TF study.
- Finally, the increased role of the political factor in the system of terrorist financing makes it possible to address the problem not only from a legal or technical point of view, but also from a political point of view, where the main efforts of the international community should now be focused. Whereas previously the financial sanctions targeting foreign operations and the freezing of terrorist assets in the international financial system were of paramount importance because of their dependence on foreign donors, political instruments are now coming to the fore. **In order to successfully counteract the financing of terrorism, it is necessary to cooperate with all actors of world politics.**

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## X. Appendix

RANK	COUNTRY	SCORE	RANK	COUNTRY	SCORE	RANK	COUNTRY	SCORE
1	■ Iraq	10	10	■ Libya	7.256	19	■ Central African Republic	6.394
2	■ Afghanistan	9.441	11	■ Egypt	7.117	20	■ Niger	6.355
3	■ Nigeria	9.009	12	■ Philippines	7.126	21	■ Bangladesh	6.181
4	■ Syria	8.621	13	■ Democratic Republic of the Congo	6.967	22	■ Kenya	6.189
5	■ Pakistan	8.6	14	■ South Sudan	6.821	23	■ France	5.964
6	■ Yemen	7.977	15	■ Cameroon	6.787	24	■ Ethiopia	5.959
7	■ Somalia	7.554	16	■ Thailand	6.609	25	■ Mali	5.88
8	■ India	7.324	17	■ Ukraine	6.327	26	■ Saudi Arabia	5.568
9	■ Turkey	7.189	18	■ Sudan	6.453	27	■ Lebanon	5.628



*Global Terrorism Index, 2017*  
by the Institute for Economics & Peace